

UNITED STATES DISTRICT COURT

JUN 12 2007

SOUTHERN DISTRICT OF TEXAS

HOUSTON DIVISION

UNITED STATES OF AMERICA

v.

JEROME KARAM,  
DWIGHT SEAN JONES,  
TOMMY JAY TRAMMELL,  
DAVID ALLEN RANOSTAJ, and  
JAY RICHARD WESTRICK,  
Defendants

§ Cts. 1-12: Bank Fraud & Aiding  
§ and Abetting, 18 U.S.C. §§1344  
§ and 2.

§ Criminal forfeiture, 18 U.S.C.  
§ §982 (a) (2)

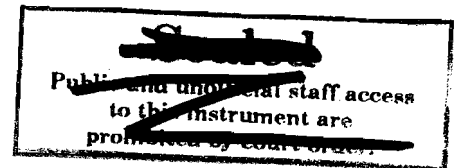
§ CRIMINAL NO. 4:07CR 244

I N D I C T M E N T

THE GRAND JURY CHARGES THAT:

At all times material to this indictment:

THE BANK FRAUD SCHEME



A. SUMMARY

i. Defendants Jerome Karam and Sean Jones induced lenders to make real estate loans based on false representations.

ii. Defendants Tom Trammell and David Ranostaj were bank loan officers who were part of the scheme and hid the fact of their involvement from their employers.

iii. Defendant Jay Westrick prepared false real estate appraisals to further the scheme.

B. BACKGROUND

1. Defendant JEROME KARAM was a real estate developer in and around Houston, Texas. His principal focus, as is relevant here, was to purchase distressed apartment buildings and convert them to condominiums. Defendant JEROME KARAM was and is a licensed attorney in the State of Texas.

2. Defendant **SEAN JONES** was a sports agent for athletes and sought profitable investments for himself and his clients. Defendant **SEAN JONES** earned a B.B.A. and held a Series 7 securities trader's license issued by the Securities and Exchange Commission (SEC).

3. Defendant **TOM TRAMMELL** was a loan officer at Whitney National Bank, and had previously worked as a loan officer at Southwest Bank of Texas and Bank of Houston. During his employment at all three banks, Defendant **TOM TRAMMELL** approved and facilitated loans to customers to buy condominium units from Defendant **JEROME KARAM** in amounts significantly greater than the properties' value, in which the excess money was distributed to Defendant **JEROME KARAM** and others, contrary to the closing statement/HUD-1, and without the lenders' knowledge or permission.

4. Defendant **DAVID RANOSTAJ** was a loan officer at Whitney National Bank, and had previously worked as a loan officer at Southwest Bank of Texas and Bank of Houston, during times which overlapped that of Defendant **TOM TRAMMELL**. During his employment at two of the banks, Defendant **DAVID RANOSTAJ** approved and facilitated loans to customers to buy condominium units from Defendant **JEROME KARAM** in amounts significantly greater than the properties' value in which the excess money was distributed to Defendant **JEROME KARAM** and others contrary to the closing statement/HUD-1, and without the lenders' knowledge or permission.

5. Defendant **JAY WESTRICK** was a real estate appraiser in and around Houston, Texas, and held a real estate appraiser's license.

6. Escrow is a term used to describe the title company's function of receiving the loan proceeds from the lender, and distributing them according to the law.

7. A title company's escrow function, as an independent third party between the lender and the borrower, includes the obligation to pay off existing loans and other encumbrances on the property being transferred, then distribute the remaining funds to creditors of the property, such as contractors, lien holders, etc., and the remainder to the seller as his profit.

8. A closing statement is a document in a loan transaction which reflects the agreement between the lender and the borrower/buyer as to distribution of the loan proceeds. Closing statements are customarily on a form called HUD-1. The closing statement/HUD-1 contains an acknowledgment that it is a federal crime to knowingly make false statements thereon, and that the title company will disburse funds accordingly.

9. The Texas Insurance Code provides that a lender is entitled to know the intended distribution of loan proceeds because it bears on the borrower's creditworthiness.

10. It is customary, and required for all federally-insured financial institutions, that collateralized real estate be appraised by an independent third party at the request of the lender, because it is the lender who bears the risk of loss.

11. Shell corporation is a term used to describe an entity established with legal formalities which limits the personal liability of its owner(s). One purpose of a shell corporation is

to serve as a conduit through which assets pass so as to conceal their true source, ownership, destination or control.

12. Whitney National Bank, Southwest Bank of Texas, and Bank of Houston, were financial institutions with deposits insured by the Federal Deposit Insurance Corporation.

13. The value of all the loans made in the manner described herein by Defendants JEROME KARAM, SEAN JONES, TOM TRAMMELL, DAVID RANOSTAJ, and JAY WESTRICK, together or in any combination, totaled more than \$42,000,000.

**C. THE SCHEME AND ARTIFICE**

14. Beginning in or about September 1, 1999 and continuing through about April 5, 2001, within the Southern District of Texas and elsewhere, defendants

**JEROME KARAM,**

**DWIGHT SEAN JONES,**

**TOMMY JAY TRAMMELL,**

**DAVID ALLEN RANOSTAJ,**

**and**

**JAY RICHARD WESTRICK,**

each aiding and abetting the other, did knowingly execute and attempt to execute a scheme and artifice to defraud Whitney National Bank, Southwest Bank of Houston, and Bank of Houston, all federally insured financial institutions, and to obtain money, funds, credits or other property owned by and under the custody and control of the institutions, by means of materially false and

fraudulent pretenses, representations, and promises, all of which affected a financial institution.

**D. MANNER AND MEANS OF THE SCHEME AND ARTIFICE**

15. Defendant SEAN JONES would and did agree to invest in several of Defendant JEROME KARAM's condominium conversion projects at an inflated price, such that both could profit from the difference.

16. Defendants JEROME KARAM and SEAN JONES would and did each set up multiple shell corporations to receive some of the excess funds from the loans, so as to deceive others as to their personal interest in the corporations and their personal benefit from the excess funds.

17. Defendant TOM TRAMMELL would and did also create multiple shell corporations, and Defendant DAVID RANOSTAJ would and did create one shell corporation, to receive some of the excess funds from the loans, so as to deceive others, in particular their own bank employers, as to their personal interest in the corporations and their personal benefit from the excess funds.

18. Defendants TOM TRAMMELL and DAVID RANOSTAJ would and did act in their own best interests, and against those of their bank employers.

19. Defendants JEROME KARAM, SEAN JONES, TOM TRAMMELL, and DAVID RANOSTAJ, would and did use the money received through their shell corporations for their own purposes and benefit.

20. Defendant JAY WESTRICK would and did prepare appraisals at the request of, and often in the amounts dictated by, Defendant

JEROME KARAM, without regard to independent analysis or the standards of conduct for licensed real estate appraisers.

21. Defendant JEROME KARAM would and did provide to the lender the grossly inflated appraisals of Defendant JAY WESTRICK for many of the loan transactions.

22. Defendants TRAMMEL and/or DAVID RANOSTAJ would and did accept the WESTRICK appraisals submitted by the seller/Defendant JEROME KARAM, rather than seeking out independent third-party appraisals, as would have been prudent and customary.

23. Defendant JAY WESTRICK would and did fail to comport with the standards of conduct for real estate appraisers in preparing the appraisals he submitted, often copying, using a cut-and-paste technique, or using invalid comparable properties.

24. Defendant JAY WESTRICK would and did personally profit from his participation in the scheme by receiving cash payments ostensibly for legitimate real estate appraisals, and by receiving title to condominiums at a discount from Defendant JEROME KARAM.

25. Defendants TOM TRAMMELL and DAVID RANOSTAJ would and did fail and refuse to seek appraisals from an independent third party and thus failed to protect their employers' interests.

26. Defendant JEROME KARAM would and did purposely utilize two specific escrow officers to close all the loans at issue and to follow his instructions for disbursements.

27. Defendant JEROME KARAM would and did cause the escrow officers to distribute funds to, among other entities, the shell corporations of Defendants JEROME KARAM, SEAN JONES, TOM TRAMMELL,

and DAVID RANOSTAJ, for the personal gain of those Defendants, rather than according to the closing statement/HUD-1 and contrary to law.

28. Defendant JEROME KARAM would and did reject the closing statement/HUD-1 signed by the lender and buyer dictating the distribution of funds, but rather instructed the escrow officers to create a new closing statement/HUD-1 distributing the funds differently, according to his own wishes, and without the lenders' knowledge.

29. Defendants JEROME KARAM, SEAN JONES, TOM TRAMMELL, DAVID RANOSTAJ, and JAY WESTRICK, would and did conceal from the officers, board of directors, and examiners of the lender-banks that they derived personal gain from the lender's money.

**E. EXECUTION OF THE SCHEME AND ARTIFICE**

30. On or about the dates set forth in the counts below, defendants

JEROME KARAM,  
DWIGHT SEAN JONES,  
TOMMY JAY TRAMMELL,  
DAVID ALLEN RANOSTAJ,  
and  
JAY RICHARD WESTRICK,

and others known and unknown to the grand jury, executed and attempted to execute the aforesaid scheme and artifice to defraud, by committing and causing to be committed, in the Southern District

of Texas and elsewhere, the following acts and omissions, all of which affected a financial institution:

<u>Count</u>	<u>Date</u>	<u>Buyer</u>	<u>Sales Price</u>	<u>Property</u>	<u>Act</u>
1	10/12/99	Jones Legacy 2	\$ 1,007,000	Glenbrook Valley Seville	divert \$76k to Jones
2	06/27/00	EBCO Partners	\$ 1,250,000	Arbor Glen	divert \$168k to Karam, \$110k to Jones, & \$12,500 to Trammell
3	08/23/00	BMW Partners	\$ 1,228,800	Bryn Mawr	divert \$80k to Jones, \$7k to cash, & \$1,800 to Westrick
4	08/25/00	Tyson & Assoc.	\$ 1,236,900	Bryn Mawr	divert \$100k to Jones, \$13k to Karam, & \$15k to cash
5	03/28/01	Tyson & Assoc.	\$ 500,000	Bryn Mawr	divert \$392k to Jones & others
6	11/29/99	Bergeson 5	\$ 450,000	Unknown	divert \$46k to Karam, & \$500 to Westrick
7	03/10/00	Borrower DW	\$ 50,825	813 Bay Street	divert \$21k to Trammell
8	03/16/00	Borrower KJ	\$ 63,000	1910 Louise	divert \$13k to Trammell \$7,500 to Karam, & \$4,500 to Westrick
9	04/11/00	Borrower OP	\$ 63,000	1910 Louise	divert \$57k to Trammell, \$125 to Westrick
10	10/03/00	DLJKM Invsts	\$ 311,000	Sherwood Forest	undisclosed transaction between loan officer & customer
11	01/17/01	J&M Westrick	\$ 143,7008	13 Bay Street	Westrick purchase from Karam, no down payment
12	02/09/01	Borrower DM	\$ 94,000	813 Bay Street	no down payment



40. All the loans failed, causing substantial losses to the lenders and placing them at risk of financial loss or civil litigation.

In violation of Title 18, United States Code, Sections 1344 and 2.

NOTICE OF CRIMINAL FORFEITURE

[Title 18, United States Code, section 982(a)(2)]

Pursuant to Title 18, United States Code, Section 982(a)(2), as a result of the commission of a violation of Title 18, United States Code, Section 1344, affecting a financial institution, and committed in furtherance of the scheme and artifice, as charged in Counts One through Twelve of the Indictment, notice is given that Defendants JEROME KARAM, SEAN JONES, TOM TRAMMELL, DAVID RANOSTAJ, and JAY WESTRICK, shall forfeit to the United States all property constituting, or derived from, proceeds the Defendants obtained, directly or indirectly, as a result of such violations as charged in the Indictment, including but not limited to the following property.

Approximately \$42,000,000 in United States currency, including a money judgment, for which the Defendants may be jointly and severally liable.

Substitute Assets

In the event that the property which is subject to forfeiture to the United States, as a result of any act or omission of Defendants:

- (1) cannot be located upon exercise of due diligence;
- (2) has been placed beyond the jurisdiction of the Court;
- (3) has been transferred or sold to, or deposited with  
a third party;
- (4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States to seek forfeiture of any other property of Defendants up to the value of such property, pursuant to Title 21, United States Code, Section 853(p), made applicable to these offenses by Title 18, United States Code, Section 982(b)(1).

A TRUE BILL:

6-12-07  
DATE

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FOREPERSON OF THE GRAND JURY

APPROVED:

DONALD J. DeGABRIELLE, JR.  
UNITED STATES ATTORNEY

CD DeGabrielle  
Cynthia DeGabrielle  
Assistant United States Attorney